

Taiwan eCommerce Market Intelligence Report

Overview

The e-commerce market in Taiwan has grown at a rapid pace over the past few years, with a market size of US\$37.6 billion in 2016, and a 5-year average growth rate of 10-20%. It is predicted that Taiwan's online retail platforms will eventually overtake sales in physical retail stores, accounting for more than half of the multi-billion dollar retail sector. Taiwan's e-commerce penetration rate is one of the highest in the world, which naturally entails a large market of sophisticated consumers who are familiar with global trends. As the e-commerce market in Taiwan continues to develop, consumption trends amongst online shoppers shift simultaneously. Whereas the initial advantage of e-commerce was to provide better access to foreign trends unavailable in Taiwan's traditional retail market, Taiwan users of e-commerce platforms have come to value convenience over accessibility within the past several years. Though clothing and apparel are still the most purchased products, online consumption of basic household necessities has increased, as has the demand for expedient delivery. The evolution of e-commerce consumer trends has led to an expansion of potential opportunities to meet growing demand.

Internet Penetration Rate

By 2016, 84.8% of Taiwan's population had Internet access. The majority of Taiwan Internet users log on using a mobile phone (68.8%), personal computer (56.3%), notebook (22.4%), or tablet PC (17%).

Current Market Trends

The Taiwan e-commerce market currently includes a wide range of products bought and sold online. These include, in no particular order:

- Apparel and Accessories
- Travel Packages, Hotels, and Flights
- Shoes, Bags and Collectibles
- Groceries
- Computers and Accessories
- Household Products
- Beauty and Skin Care
- Foods
- Mother and Baby
- Computer/Videogames

E-commerce legislation is also continuously being drafted and amended in Taiwan to better facilitate and regulate this growing industry. An Electronic Signatures Act was passed in 2001, which is modeled on UN standards and recognizes electronic signatures by certification authorities. The Consumer Protection Act, passed in 2005, allows consumers to return goods they find to be unsatisfactory within a seven day window. Distance and online selling are included in this law. Most recently, the Act Governing Electronic Payment Institutions, detailed in the Online Payment section of this guide, was implemented in 2015. While other countries have been aggressively pursuing innovative new fintech services, Taiwan's financial industry has been more conservative in its approach. Rather than emphasizing the benefits that fintech can bring, Taiwan regulators have shown more concern over ways to manage the risks. The Financial Supervisory Commission (FSC) has indicated it would prioritize implementing a regulatory sandbox to promote experimentation with innovative technology in the financial sector to speed up development of new services.

Amendments to the Value-Added Tax (VAT) regulations under the business tax law were proposed in August 2016. These amendments would require foreign e-commerce providers that sell products or services in Taiwan with revenues exceeding NT\$480,000 to register with local tax authorities and pay 5% VAT. As of May 1, 2017, affected companies will be required to file bi-monthly VAT returns and pay VAT directly or indirectly through approved tax agents. This amendment aims to transfer the burden of paying VAT from the consumer to the business, and targets companies who were previously able to evade paying VAT by running their business exclusively through digital platforms to avoid establishing a physical location.

Additional amendments have been made targeting consumers who frequently import products from overseas. As of July 1, 2017, consumers who import products more than twice per month or six times per six-month period will be required to pay a new tariff. In addition, starting January 1, 2018 the previous tax-exempt import threshold of NT\$3,000 has been reduced to NT\$2,000. Consumers whose import orders surpass this threshold will be required to pay the tax.

Taiwan's e-commerce market has a comprehensive infrastructure, consisting of policies like those mentioned above, as well as network financial, distribution, and credit systems. The major participants in the market are suppliers and brand owners, e-commerce platforms, such as PCHome and Momo, and the consumers. Facilitating the transactions are Taiwan's money flow service providers, including banks and other financial institutions, and distribution service providers. These include the island's many courier companies and the postal service. Recent changes in Taiwan's e-commerce ecosystem include incorporating live broadcast promotion on social media, expanding service and payment options, as well as adopting the idea of using big data

and artificial intelligence to combine e-commerce platforms with traditional retail outlets.

Domestic ECommerce (B2C)

Taiwan's e-merchants are generally small-scale operations, and in order to keep costs down, 81.6% run their business on e-commerce shopping platforms, rather than maintaining their own website. These platforms include the PCHome, Yahoo! Kimo, Momo, and Rakuten online malls.

Taiwan consumers purchase a wide variety of products when shopping with local e-commerce platforms, but clothing and accessories (20.5%), food products (20%), and beauty and skin care (17.8%) are the categories that top the list. Other popular items include computers and electronics (14.9%), furniture (14.1%), and household products (12.6%).

Cross-Border ECommerce

A 2016 Google consumer survey found that 17% of Taiwan consumers admitted to buying goods online from international sources that year. The most popular products purchased online from overseas include clothing and accessories, computer and electronic products, books, cosmetics and basic necessities.

Taiwan online shoppers most actively shop cross-borders in:

- China (72.7%)
- Japan (40.4%)
- United States (22.9%)
- South Korea (12.8%)

Language barriers, shipping costs, and proliferation of a country's brand names are all factors in Taiwan's cross-border e-commerce consumer trends. The biggest barriers to cross-border sales from the e-merchants perspective are customs, warehousing and tax issues, as well as the lack of strong cross-border e-commerce infrastructure.

B2B ECommerce

Taiwan has a robust B2B e-commerce environment, with two major e-commerce resources run by the Taiwan External Trade Development Council (TAITRA).

TaiwanTrade is an e-commerce portal that allows businesses to find and match with suppliers, manufacturers and distributors. iDealEZ Online Marketplace is a platform that allows businesses to buy small quantity or sample items directly from the supplier. B2B e-commerce is most developed in the IT, chemical and textile industries due to programs initiated during the early 2000s.

ECommerce Services

Distribution services in Taiwan have been efficiently developed to account for all types of lifestyles. Beyond home delivery, consumers may have their purchases shipped for pick-up at any of the prolific convenience stores in Taiwan. Taiwan shoppers prize convenience, information, and affordability when shopping online. Seventy-seven percent considered shopping online convenience, 69% read product reviews online prior to purchase, and 52% believed that online stores offered better deals than physical retailers. Convenience stores in Taiwan operate 24/7 and thus provide the flexibility for working consumers to retrieve their deliveries.

For small- and medium-sized businesses looking to conduct B2C e-commerce in Taiwan, the platforms for opening an online store are convenient, attract a large customer traffic flow, and offer a range of services, including marketing tools and logistical resources.

eCommerce Intellectual Property Rights

Taiwan is currently not a member of the World Intellectual Property Organization (WIPO) but adheres to key international agreements as the Berne Convention and the Agreement on Trade-related Aspects of Intellectual Property Rights (IPR). Due to Taiwan's significant advances in maintaining IPR, the Office of the U.S. Trade Representative removed Taiwan from the Special 301 Watch List in 2009.

Popular ECommerce Sites

B2B Websites:

- TaiwanTrade
- TaiwanTrade iDealEZ

B2C/B2B2C Websites:

- PChome
- Momoshop
- PayEasy
- UDN Shopping
- GOHAPPY
- Taobao.com
- Ruten.com
- Rakuten Ichiba Taiwan
- Yahoo! Taiwan

O2O Websites

- Gomaji
- Groupon
- 17Life

Online Payment

Online shoppers in Taiwan have several options of payment for their e-Commerce purchases (not ranked in any particular order):

- Online credit card use
- Payment at convenience stores
- Payment on delivery
- Online banking payments
- Placing credit card orders by fax
- Bank transfer / Wire transfer
- Mobile payments

The Marketing Intelligence and Consulting Institute (MIC), a Taiwan-based market research firm, reported that in 2016, 75.7% of consumers used credit card as their preferred method of online payment. This was followed by convenience store pickup at 66.4%, a more than 20% increase since 2014. Another popular option is ATM bank transfers.

In response to the growing importance of online payment methods, the Taiwan Act Governing Electronic Payment Institutions was introduced in January 2015. Its purpose is to define and regulate electronic payment institutions (EPI), increase trust in this form of payment by implementing stringent qualifications and restrictions on EPIs, and to prevent money-laundering schemes and other misuse of these resources.

Mobile ECommerce

Taiwan has the highest smartphone user penetration of any country tracked in 2016. A 2016 Nielson report noted that 31% of Taiwanese respondents claimed they used their mobile device to purchase a good, while 31% also made a purchase of a service within the past half year. Considering the rapid growth of e-commerce in Taiwan, mobile e-commerce is likely to continue to expand as well. One of the main obstacles to this expansion is a reluctance by Taiwan consumers to pay using mobile devices, preferring instead to use cash.

Digital Marketing

Social media, primarily Facebook and the messaging app Line, is used as the primary online marketing outlet in Taiwan. In 2016, MIC reported that the top five channels most often used to purchase online consumer goods are portal sites like Yahoo (44.1%), Facebook (39.9%), TV commercials (38.2%), promotions from internet celebrities

(21.2%), and the messaging app Line (17.4%). A number of local and international public relations firms based in Taiwan also help businesses promote their products or services online.

Major Buying Holidays

Taiwan does not have major buying holidays, but the major department stores have annual sales events during the fall season. These events see crowds of proportions similar to Black Friday in the United States.

Social Media

Based on social media use in countries with national populations of 50,000 or more people, Taiwan in 2016 had the highest social media penetration globally at 77%. Taiwan also leads in Facebook and Twitter penetration with a rate of 67%.

Social media has become extremely important to marketing products sold online in Taiwan. Facebook is the preferred method of digital marketing, with 63.4% of online vendors choosing to use it as a major marketing tool. This is due to the low cost of promoting through Facebook and the ability to reach a broad audience through the social media platform. E-merchants also highly depend upon word-of-mouth recommendations, which spread quickly on Facebook, to generate traffic.

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